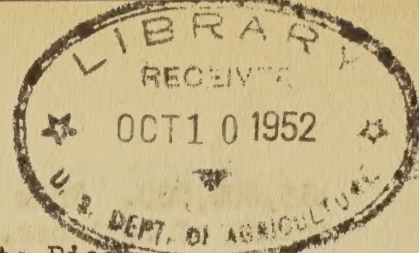


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Extension Educational Program on Cooperatives in Puerto Rico
by
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THE COOPERATIVE MOVEMENT IN PUERTO RICO

Puerto Rico is confronted with many economic and social problems. The lack of natural resources, the serious limitations for industrial development, the very dense population, and the low standard of living of its people, have made it necessary for the Island to continually search for practical ways and means for solving these problems. Due to the complexity of the situation a solution is difficult. No plan is sufficient by itself to solve all of these problems. Naturally, all means should be utilized to their maximum if even a modicum of success is to be obtained. The development in Puerto Rico of a well-directed cooperative movement should be one approach or attack that will help to solve some of these problems.

The cooperative movement in Puerto Rico is relatively young. It started in 1920, with the passing of a law that authorized the organization of consumer and production cooperative associations. In 1925, another act (Number 70 Cooperative Marketing Act) which authorized and provided for the incorporation, organization, management and control of farmers' cooperatives was passed. Furthermore, the Government of Puerto Rico, which had always shown interest in the development of cooperatives on the Island through its Insular Legislature, passed other acts for the organization of cooperative handicraft associations, and exemption from taxation of the property and shares of cooperative associations.

The cooperative movement in Puerto Rico, up to 1942, received economic support and encouragement from the government for the development of various types of associations. Because of this support, the greatest number of cooperative associations were organized after 1937. In 1936 the Puerto Rico Reconstruction Administration (PRRA), a federal agency, began to foster the organization of cooperatives on the Island. It helped in the organization of farmers' marketing and purchasing cooperatives and some handi-craft cooperatives. Another federal agency that encouraged the organization of cooperative associations was the Farm Credit Administration. The Baltimore Bank for Cooperatives offered effective help to farmers' cooperatives engaged in marketing tobacco, cotton, and coffee. Also, the Farm Security Administration, presently called the Farmers' Home Administration, helped in the organization of farmers' service cooperatives for the distribution of their products and the purchasing of farm machinery, etc. Since all these are agricultural agencies, most of the cooperative associations that these agencies encouraged and sponsored were farmers' cooperatives.

The consumer cooperative movement started in September, 1942, due to the great scarcity of food products as a result of the war. The general consumer started the organization of consumer cooperatives as a defense against the black market.

In general it can be said that by June 30, 1951, according to information obtained from the Annual Report of the Inspector of Cooperatives to the Governor of Puerto Rico, there were 152 cooperative associations of different types with an approximate volume of business amounting to \$25,000,000 as compared to about 70 cooperatives that were functioning during 1942 with a volume of business of about

\$15,000,000. This shows a marked increase both in number of associations and in volume of business. However, the organization of cooperatives from 1920 to 1945 suffered from five serious defects, which were the reasons why the Insular Legislature enacted in April, 1946, the new Cooperative Law called the General Cooperative Associations Act of Puerto Rico. These shortcomings are in the preface of the new Act. They are as follows:

1. Lack of a properly defined social orientation, especially as to the part which cooperation should fulfill in the education and economic betterment of the masses.
2. Lack of an educational program for the guidance of members of cooperatives as regards the philosophy of cooperation of their rights and duties within the organizations to which they belong and the functioning of cooperatives.
3. Lack of an adequate inspection system, both as to the accounting methods employed, as well as to the fulfillment by cooperatives themselves of the principles underlying cooperativism.
4. Confusion with respect to the type or kind of cooperatives that can be established in Puerto Rico.
5. Lack of adequate legislation on cooperatives, providing means for correcting deficiencies above enumerated.

The 1946 Act previously mentioned was the result of recommendations made by a commission of government officials, among whom were extension people after a careful study of the cooperative movement of Antigonish at Nova Scotia, Canada, and of farmers' marketing and purchasing cooperatives of eastern United States.

The cooperatives in the United States which the Commission studied in October, 1945, were the Grange League Federation, the Southern States Cooperatives, Eastern Cooperative wholesale, and the Consumer Cooperative Society of Ithaca, New York.

Provisions of the Act:

The General Cooperative Associations Act of Puerto Rico contains limitations as to the number of persons necessary for the formation and incorporation of a cooperative association. Well defined rules and regulations are provided for incorporation, amending articles and bylaws, creating reserves, admission of members, resignations, involuntary separations, voting privileges, liabilities, and obligations of members, minimum requirements as to number of meetings, election of directors and officers, accounting, distribution of savings, and capital requirements. The act also provides for the formation of federations of two or more cooperative associations. Formerly, the laws had no provisions for federations.

This Act requires a cooperative association to fulfill, among other things, the following requirements if it is to operate efficiently in the Island:

1. It must function on principles of equality of rights and obligations as far as its members are concerned.
2. It must grant each member one single vote, which may be exercised personally but not by proxy.

3. It must foster the social and economic improvement of its members through their joint action in collective work.
4. It must set aside annually not less than one-tenth of 1 percent of its total volume of business for educational purposes. It may contribute voluntarily all or part of such educational funds to the Department of Cooperatives of the Agricultural Extension Service of the University of Puerto Rico, in order that this agency may coordinate and intensify its programs of cooperative action.
5. It must not pay more than five percent interest per year on its outstanding capital stock.
6. It must not operate for profit and its returns and savings must be distributed on the basis of patronage.

Also, the law created two important bodies, the Office of the Inspector of Cooperatives, under the Department of Agriculture and Commerce, and the Department of Cooperatives, attached to the Extension Service of the University of Puerto Rico.

In order to enforce the provisions of the General Cooperative Associations Act of Puerto Rico an Office of Inspector of Cooperatives was created. The inspector and employees of his office are appointed and their remuneration fixed by the Secretary of Agriculture and Commerce of Puerto Rico.

In general, the powers and obligations of the Inspector of Cooperatives can be summarized as follows:

1. Approve or reject, according to the provisions of this Act, the Articles of Incorporation which may be submitted to him by cooperative associations in process of organization.
2. To carry out examinations as he may deem advisable of the business and operations of any association incorporated under this Act.
3. To formulate, adopt, amend and repeal rules and regulations in order to enforce the fiscal provisions of this Act.
4. To see to it that cooperative associations comply with the provisions of the Act, with the regulations formulated by his office and with their articles of incorporation, and in so doing he may resort to all the powers given him by this Act.

The second body, the Department of Cooperatives of the Agricultural Extension Service of the University of Puerto Rico, was created for the purpose of fostering cooperation. Its duties are largely of an educational character, including assistance in improving the methods of operation of cooperative associations and in the organization of such associations. The duties of the Department of Cooperatives are, as stated in the cooperative Act:

1. To formulate, establish and coordinate with other agencies, educational programs to give adequate orientation of cooperative action.
2. Suggest to the pertinent agencies or organizations the research work that may be necessary in order to assist in the general development of cooperatives to help in the carrying out of proposed projects.

3. To offer, within its power and faculties, such assistance and services as may be necessary in order to improve the functioning of cooperative associations already organized or in the process of organization.
4. To request and obtain from the Inspector of Cooperatives any information which may be helpful to carry out the work of the Department; and likewise to cooperate closely with the Inspector of Cooperatives in carrying out this work.

THE DEPARTMENT OF COOPERATIVES

The Department of Cooperatives, as organized at present, consists of a Head of Department, an Assistant Head in charge of cooperative work, two accounting specialists, a cooperative editor, and 16 cooperative field agents. These agents work in assigned areas of the Island, in a coordinating capacity with the Agricultural Extension agents of the different counties to which they are assigned. Two of these cooperative agents are associate home demonstration agents in charge of cooperative work with hand-craft cooperative associations. Besides these, there are nine additional associate agents in the marketing field. They work in close cooperation with the Extension agents in agricultural problems related to marketing cooperatives.

So as to comply with the objectives for which the Department was organized as stated in the new law, the Department of Cooperatives is doing the following work:

1. Maintains a close relation with all private and government agencies such as the Department of Agriculture and Commerce, the Cooperative League of Puerto Rico, P.R. Bank for Cooperatives, Department of Education, Department of Labor, Insular Vocational Agriculture, Insular Experiment Station, College of Agriculture of the University of Puerto Rico, etc., in order to obtain the efficient operation of the cooperative program in the Island.
2. To offer short courses, workshops, and specialized training in cooperative work to employees of the above named agencies that request this service.
3. Provide educational material for the different agencies, cooperative members, and other groups interested in the organization of the different types of cooperatives.
4. Organize, develop, and direct campaigns of an educational character among the already established cooperative associations.
5. To establish through the study-club method of learning an adult educational program in cooperative work.
6. Help the different cooperative associations and other interested groups in solving the following problems in cooperative work:
 - a. Management
 - b. Financing
 - c. Accounting
 - d. Analysis of financial statements
 - e. Relations among members, directors and management and other employees
7. Offer suggestions to those agencies in charge of research for making studies that will result in benefit to the cooperative movement of the Island, and offer help requested by these agencies.

The Procedure Used by the Department of Cooperatives in Conducting its Services:

1. Interested members of a group request help for the organization of some type of cooperative association in one of the following ways:

- a. Personal visits
- b. Mail or telephone

2. Contact visits by a representative of the Department to discuss with a group representative the general idea.

3. General meeting with the whole group to discuss:

- a. Cooperative idea and action
- b. Determine type of cooperative they are interested to organize, taking into consideration the needs of the group.
- c. Distribution of educational material

4. Second general meeting. The purpose of this meeting is to:

- a. Clarify doubts which the group may have and answer all questions
- b. Further discussion of the idea
- c. Selection of an organization committee
- d. Organization of study clubs to take care of educational work among members of group during period of organization
 - (1) Selection of leaders

5. Meetings with the organization committee and study clubs.

In these meetings different topics related to the type of cooperative to be organized are discussed.

- a. Cooperative principles and philosophy
- b. Capital requirements
- c. Discussion of bylaws and articles of incorporation
- d. Equipment needs
- e. Accounting problems
- f. Management problems, etc.

These meetings may take from two months to one year, and sometimes more. It depends upon how the group develops and becomes prepared for the organization of the cooperative in which they are interested.

6. Third general meeting with the whole group.

- a. To hear reports of work done by the organization committee and by the different study clubs
- b. Explanation of procedure for selecting members of Board of Directors

7. First general meeting of the charter cooperative.

- a. To discuss and approve bylaws
- b. Election of Board of Directors and members of other committees

8. Meetings with members of board of directors and committees.
 - a. To orient directors and members of committees in their respective duties and responsibilities
 - b. Training in the selection of manager and other employees
9. Organization of the educational campaign to be developed by the association.
 - a. Appointment of an educational committee

Coordinating Activities of the Department:

The Department of Cooperatives of the Agricultural Extension Service serves as a coordinating agency in cooperative work with the different government and private agencies. Before entering in the description of the coordinating function of the Department, a brief description of the work performed by the different agencies with whom the Department of Cooperatives works will be presented.

1. Department of Agriculture and Commerce of the Government of Puerto Rico.

In this Department there are three divisions with which we work directly. These are: (a) Production and Distribution of Agricultural Products Division, (b) Marketing Division, (c) Land Authority.

- a. The Production and Distribution of Agricultural Products Division consists of a Production Division and a Service Division. The Production Division is in charge of stimulating the production of all farm products for local consumption as well as for exportation. This Division also offers a price support program to farmers for their products, and a crop insurance for all those products that are to be sold in the foreign markets.

The other division, the Service Division, is in charge of providing the different services needed by the minor crop and vegetable farmers. These services include providing farmers with all the necessary farm supplies and machinery such as fertilizers, seeds, insecticides and fungicides, plows, sprayers, etc. All these services are offered at a reduced cost.

- b. The Marketing Division is responsible for providing the farmers with information related to the marketing of farm products, best marketing outlets, farm prices, and marketing conditions in the States and other countries.
- c. The Land Authority, with its cooperative education division, renders services of a cooperative character limited to the different land projects under their supervision.

2. Central Organizations.

- a. Puerto Rico Bank for Cooperatives. This agency makes loans to cooperatives to cover expenses of the marketing of their agricultural products and the purchasing of fertilizers, feeds, seeds, and other farm supplies and equipment among farmers. It also extends its credit services to other types of cooperative associations that are in need of loans.

b. Cooperative League of Puerto Rico. This central organization in which all types of cooperative associations can be a member, works to fulfill the following objectives:

- (1) Foster the best relations among the different cooperative associations.
- (2) Coordinate the activities of these associations to strengthen the cooperative movement in the Island.
- (3) Study the problems and their possible solution that the different cooperative associations encounter.
- (4) Conduct or develop all those educational and public relation activities that are necessary for the progress of the cooperative movement.

To return to the description of the coordination function of the Department of Cooperatives as a coordinating agency let us examine some of its functions or practices. Lets take an example: The marketing problems of tomatoes in a producing area will bring out certain aspects of these functions. The Extension Economist becomes aware of these problems and contacts the different heads of Division of the Department of Agriculture and other agencies interested in these problems. The Extension Economist, together with the Extension Director, Experiment Station Director, and the Secretary of Agriculture of Puerto Rico, calls a general meeting with the different heads of the Divisions of the Insular Department of Agriculture, other Extension specialists, the general managers of the different marketing cooperative associations and representatives of the Production Credit Association, Farmers Home Administration and the Bank for Cooperatives of Puerto Rico, to discuss with them the campaign at the central or State level. In this meeting a program of attack is discussed and the participation of each agency is obtained.

Afterwards, a second meeting is called by the Extension Economist or other person thus decided. In this meeting the local Extension agents, cooperative and marketing agents, Farmers Home Administration local supervisors, members of board of directors of the different cooperative associations discuss the problem of marketing tomatoes. The Extension agents are selected as coordinators of the activities to be carried out at the local or county level.

Plans for action are then prepared at the local level in meetings that are held in the different Extension counties with the participation of other local agencies and leaders of the county. These meetings are called by the county Extension agents, the acting coordinators, with the cooperation of the marketing and cooperative agents. These three agents are responsible for the development of the program in their respective county. In these meetings representatives from the staff of the Department of Cooperatives participates and assists the agents in planning the work at the local level.

The last point which I wish to discuss concerns the indirect coordinating functions of the Department of Cooperatives with the central organizations such as the Cooperative League of Puerto Rico.

The Head of the Department of Cooperatives or any employee within this Department is a member of the board of directors or of any other committee of the Cooperative League of Puerto Rico by virtue of his being a member of a credit union which is

a member of the League. As a result of his participation in the League, the Head of the Department of Cooperatives is in a position to offer the services and facilities of his department to promote the spread of cooperatives in Puerto Rico and to coordinate the efforts of the different cooperatives that belong to the League.

SUMMARY

The Department of Cooperative Extension Service, coordinates, organizes, develops, and promotes any program of a cooperative nature that any agency is interested in. Its educational function is the basic reason why this Department is of such importance to the development of any cooperative project. It also accounts for the fact that the cooperative movement in Puerto Rico has been developed so successfully during the last six years.

All government agencies, cooperative associations, as well as private individuals and institutions have combined their efforts to offer all the cooperation necessary to the Extension Service for achieving a more integrated plan of work which has resulted in a successful development of the cooperative program. Without this coordinated effort, the success of the program would have been very slow and the results obtained would not have been so productive.

Integrated action is necessary to obtain results. It has obtained good results in our cooperative movement in Puerto Rico and we are proud of it.